



Income tax liability is one issue that needs to be addressed in the new hybrid work environment, says the writer. Suppose a Singaporean hybrid employee based in Bangkok works for a Singapore-based company – the employee is not liable for income tax under current regulations since income is earned overseas. But a hybrid employee based in Singapore working remotely is liable for income tax since income is earned here. ST FILE PHOTO

## Hybrid work: It's time employment policies caught up

The shift towards flexible, remote, gig or freelance work raises questions on matters related to compensation, taxes and CPF contributions

**Shazly Zain**

For *The Straits Times*

Working from home has been the default since the start of the Covid-19 pandemic in 2020. Now, 50 per cent of employees who can work from home will be allowed to return to the office.

While this means face-to-face meetings and in-person conversations are finally possible, employers and employees will have more adjustments to make. Among other things, company human resource policies and labour regulations will need to play catch-up with the new hybrid work's environment and the complications that arise.

Hybrid work is not simply about how many days one must turn up in the office a week or redesigning the office – the physical environment – to accommodate such changes.

The hybrid employment model is an employment system that enables employees to blend working from different locations together and promotes active control or autonomy over work. It involves legal and pocketbook issues as well because of the shift towards flexible, remote, gig or freelance work.

For instance, hybrid work enables companies based in Singapore to tap the global talent market by providing flexible working arrangements. However, companies will need to verify if Singaporean labour laws or those in the hybrid employees' location are applicable to them.

As well, a hybrid employee is not the same as a typical salaried employee working in the office. Questions will arise as to how to differentiate the benefits and compensation structures for traditional salaried employees from those who opt for more flexible hybrid employment.

### ALLOWANCES AND INSURANCE

Companies will also need to

consider new manpower costs, such as allowances to set up and maintain home offices. Since 2020, companies such as Twitter have provided US\$1,000 (S\$1,350) in allowances to remote employees for setting up home offices. Companies might have to also consider heavier investments in digital workspaces to connect their remote employees.

Additionally, companies might need to ensure that workplace insurance can cover incidents at home offices. Such coverage may impose higher premiums on companies.

However, opportunities might arise to restructure other business expenses. With hybrid employees and hot-desking arrangements, companies will need less office space. The rental and logistical savings can be redirected to allowances for remote employees and other related expenses.

Employers will also need to change their management strategy, shifting away from traditional direct supervision to a participative management model.

This model emphasises bounded autonomy for employees and promotes a sense of identification between the employee and the job. Employees might describe it as "this is my work" and would be more willing to put in the effort to make their work the best.

### DIFFERENT LOCATION, DIFFERENT PAY

Financial compensation may also differ depending on where the employee is located. For example, a hybrid employee in Bangkok, Thailand, might receive a lower salary than one working in Singapore, as the Republic has a higher cost of living than Thailand. This has already occurred in the United States, where salaries differ by state or city.

This poses a challenge to policymakers because of the relatively higher cost of living in Singapore. Companies may be tempted to hire lower-paid overseas employees for hybrid work. With remote working being

feasible, companies may also unnecessarily or excessively offshore some of their work to the detriment of Singapore-based talent.

Income tax liability will also require clarification. Suppose a Singaporean hybrid employee based in Bangkok works for a Singapore-based company – the employee is not liable for income tax under current regulations since income is earned overseas. But a hybrid employee based in Singapore working remotely is liable for income tax since income is earned here.

Labour laws in most countries are in a catch-up phase, trying to react to the new challenges presented by hybrid employment.

### CPF AND THE SELF-EMPLOYED

In Singapore, one immediate labour policy concern is Central Provident Fund (CPF)

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contributions. CPF is designed primarily for traditional salaried employees, not so much self-employed individuals.

While self-employed individuals need to make MediSave contributions, they do not need to contribute to their other accounts. There is also no employer contribution for the self-employed and own account workers.

It also remains unclear who the employers are within gig industries, such as online content creation and food delivery services, and hence, who is liable for employer contributions to CPF.

If more Singaporeans opt for remote hybrid work for employers based elsewhere, the risk is that they will be left without both employer and employee CPF contributions.

This means hybrid employees could end up facing major money problems with retirement and healthcare. Efforts should be made to incentivise hybrid workers to at least meet the 20 per cent CPF contribution by employees.

While the Manpower Ministry said last Tuesday that it would not rush to legislate work-from-home arrangements although these will become a more mainstream option, it is still important for both employers and employees to utilise hybrid working arrangements responsibly, including being accountable for work deliverables, remaining contactable and responsive during predefined working hours, and establishing clear expectations between employers and employees.

The working environment of 2019 and earlier is long gone. While hybrid employment poses many challenges, it has provided important benefits to both employers and employees. What both parties need to do is to identify potential problems and work at finding solutions that will improve on the hybrid employment model.

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